

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking to Assess Peak Electricity Usage Patterns and Consider Appropriate Time Periods for Future Time-of-Use Rates and Energy Resource Contract Payments.

Rulemaking 15-12-012
(December 17, 2015)

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE PROPOSED DECISION ADOPTING POLICY GUIDELINES TO ASSESS TIME PERIODS FOR FUTURE TIME-OF-USE RATES AND ENERGY RESOURCE CONTRACT PAYMENTS

Pursuant to the Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) files these reply comments on the *Proposed Decision Adopting Policy Guidelines to Assess Time Periods for Future Time-of-Use Rates and Energy Resource Contract Payments* (Proposed Decision) issued by the Commission on November 1, 2016 (Proposed Decision).¹

I. The CAISO recommends the Commission adopt PG&E’s Alternative Proposal A and clarify that the five year sunset date begins six months from the date the final decision is issued.

PG&E’s opening comments raise a concern regarding the sunset date for grandfathering solar customers. PG&E proposes to eliminate grandfathering for any customers, but in the alternative notes that the cut-off date for determining a customer’s eligibility for grandfathering should be limited to six months after the date of the final decision in this proceeding. The CAISO supports PG&E’s recommendation to cut-off grandfathering at six months from the date the final decision is issued. The Proposed Decision would allow certain customers to be grandfathered up until the date new time-of-use (TOU) rates are implemented, which is likely two and half years in PG&E’s case. This would result in potential misalignment of TOU rates for certain customers for another eight years, through 2024, and will require compensating other

¹ These reply comments address opening comments made by Pacific Gas & Electric Company (PG&E) and The Utility Reform Network (TURN).

resources to correct and align energy consumption patterns that are knowingly misaligned with system needs.

PG&E explains in its “Alternative Proposal A”² the potential for the Proposed Decision’s grandfathering provisions to result in a sunset date that extends years into the future. Without a timely sunset date on grandfathering eligibility, the clock starting the five-year grandfathering period would not begin until new TOU rates are implemented, which in PG&E’s case may be two and half years from now. If the grandfathering eligibility period is available for five years, but does not start until two and half years from now, rates for certain customers would remain misaligned up until 2024. This is an unacceptably long period given how rapidly the system load profile is changing. The Proposed Decision notes that a long grandfathering period “. . . prolongs the period during which such customers receive less accurate, and less cost based, TOU pricing signals.”³ Sending price signals to customers to reduce or produce energy in the middle of the day when additional energy is not needed, *i.e.*, during periods of oversupply, will not only result in more renewable resource curtailments, but can cause reliability problems if the CAISO cannot reduce generation output, incent consumption, and or export sufficient energy to address oversupply. For these reasons, the CAISO recommends the Commission adopt PG&E’s Alternative Proposal A to clarify that the five year sunset date begins six months from the date the final decision is issued. The CAISO’s recommended changes to the proposed decision are listed in Appendix A to this filing.

II. The final decision should not extend the grandfathering policy to customers who made investments in other, non-solar load modifying technologies.

Grandfathering customers on existing rates structures who invested in behind-the-meter solar is a pragmatic transitional solution that has certain consequences that can be managed and absorbed for a limited and agreed upon time. However, the Commission should not extend the behind-the-meter grandfathering policy to any customer who invested in technologies to reduce load at peak times. This is a slippery slope, and could, for example, extend grandfathering existing rate structures to anyone who invested in a load modifying technology, including energy conservation measures.

² PG&E opening comments at p. 2 and further discussed at pp. 8-10.

³ Proposed Decision at p. 45

As TURN clearly articulates “it would be contrary to the principles articulated in the [Proposed Decision] for customers with demand response or storage technologies to be exempted from new TOU periods through grandfathering. To the extent that such customers possess the ability to deploy their onsite investments to assist with load shifting, this capability should be harnessed to respond to evolving system needs rather than dedicated to maximizing private customer benefits under legacy TOU periods.”⁴ The CAISO encourages the Commission maintain the position in the Proposed Decision not to extend the grandfathering period beyond behind-the-meter solar customers.⁵

III. Conclusion

The CAISO appreciates the Commission’s efforts to provide sound policy guidance on future time-of-use rates and recommends the Commission 1) set the grandfathering sunset date six months from the issuance of the final decision, and 2) not extend the grandfathering policy to other load modifying technologies and customers.

Respectfully submitted,

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⁴ TURN opening comments at p. 3.

⁵ The proposed decision states at p. 47: “Although several parties commented that grandfathering protections should be extended to customers installing other types of distributed energy resources, and to all on-site solar customers, this proceeding has not developed an appropriate record for establishing grandfathering or similar treatment for such a wide range of resources and customers.”

APPENDIX A

Needed modifications to ensure the grandfathering period begins on the date six months from issuance of this decision. **Additions are underlined and in bold-faced red font.** Deletions in ~~strikethrough.~~

Findings of Fact

28. Because certain customers have incurred costs, and other customers will incur costs in the future, to invest in solar or other load-shifting technologies based upon the current TOU periods, the **previously expected** value of those investments in relation to savings in utility rates may be lessened if they are subjected to unexpected changes in TOU time periods. **However, customers choosing to install a solar system beginning six months from the date of this decision will be on notice that TOU Periods can change, and can factor that into their assessment.**

31. Based on the treatment previously accorded residential NEM customers in D.15-07-001 and D.16-01-044, a reasonable balance may be achieved by adopting a grandfathering period of five years for NEM customers on existing TOU rates **that begins six months from the data of this decision.**

IT IS ORDERED that:

5. Each of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall ensure that residential, commercial and industrial customers with behind-the-meter solar be permitted to maintain time-of-use rate periods for a minimum of five years. This five-year protection applies only to qualified customers who complete interconnection agreements **before six months after the date of the final decision in this proceeding** implementation of new time-of-use periods through tariffs authorized by the Commission in (A.)15-04012 (SDG&E), A.16-06-013 (PG&E), and A.16-09-003 (SCE). The five year **grandfathering** period begins on the date **six months from the issuance of a decision in this proceeding.** ~~the customer's system becomes operational.~~ The five-year grandfathering applies only to the definitions of TOU periods and not to any TOU rate values themselves. TOU rate designs, including methods for allocating marginal costs to TOU periods and setting specific rate levels, will be litigated in utility-specific rate proceedings. This protection does not apply to customers already permitted to stay on a TOU rate for five years pursuant to D.16-01-044.